



QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2006
OF THE CONDITION AND AFFAIRS OF THE

Community Choice Michigan

NAIC Group Code	0000	0000	NAIC Company Code	95562	Employer's ID Number	38-3252216
	(Current Period)	(Prior Period)				
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health [] Property/Casualty [] Dental Service Corporation [] Vision Service Corporation [] Other [] Health Maintenance Organization [X] Hospital, Medical & Dental Service or Indemnity [] Is HMO, Federally Qualified? Yes [] No [X]					
Incorporated/Organized	05/24/1995		Commenced Business	08/01/1996		
Statutory Home Office	2369 Woodlake Dr, Suite 200			Okemos, MI 48864		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	2369 Woodlake Dr, Suite 200		Okemos, MI 48864	517-349-9922		
	(Street and Number)		(City or Town, State and Zip Code)	(Area Code) (Telephone Number)		
Mail Address	2369 Woodlake Dr, Suite 200			Okemos, MI 48864		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records	2369 Woodlake Dr, Suite 200		Okemos, MI 48864	517-706-6604		
	(Street and Number)		(City or Town, State and Zip Code)	(Area Code) (Telephone Number)		
Internet Website Address	www.ccmhmo.org					
Statutory Statement Contact	Kimberly A. Saxton			517-706-6604		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	kim.saxton@csmg-online.com			517-349-5353		
	(E-mail Address)			(FAX Number)		
Policyowner Relations Contact	2369 Woodlake Dr, Suite 200		Okemos, MI 48864	800-390-7102		
	(Street and Number)		(City or Town, State and Zip Code)	(Area Code) (Telephone Number) (Extension)		

OFFICERS

Name	Title	Name	Title
Christine Baumgardner	Board President	Chris Shea	Board Vice-President
Sharron Gallop	Board Secretary-Treasurer		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Velma Hendershott	AJ Jones	Denise Holmes	Anthony King
Patricia Teague	Evonne Williams	Sharron Gallop	Christine Baumgardner
Chris Shea	Gwendolyn Williams		

State of Michigan
County of Ingham ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Joanne Volovar Executive Director	Pamela S. Sedmak Chief Financial Officer	Christine Baumgardner Board President
Subscribed and sworn to before me this _____ day of _____,		a. Is this an original filing? Yes [X] No []
_____		b. If no,
		1. State the amendment number _____
		2. Date filed _____
		3. Number of pages attached _____

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	4,536,137		4,536,137	0
2. Stocks:				
2.1 Preferred stocks	44,073		44,073	0
2.2 Common stocks			0	40,782
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$15,165,876), cash equivalents (\$1,000,000) and short-term investments (\$5,507,604)	21,673,480		21,673,480	31,021,464
6. Contract loans, (including \$premium notes)			0	0
7. Other invested assets	0	0	0	0
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	26,253,690	0	26,253,690	31,062,246
11. Title plants less \$charged off (for Title insurers only)			0	0
12. Investment income due and accrued	124,417		124,417	4,928
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	132,000		132,000	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premiums)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	46,394		46,394	175,861
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets (\$)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates			0	0
22. Health care (\$3,358,855) and other amounts receivable	3,667,862	257,638	3,410,224	1,458,645
23. Aggregate write-ins for other than invested assets	63,723	63,723	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	30,288,086	321,361	29,966,725	32,701,680
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	30,288,086	321,361	29,966,725	32,701,680
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Prepaid Insurance.....	8,424	8,424	0	0
2302. Prepaid Other	55,299	55,299	0	0
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	63,723	63,723	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	9,918,319		9,918,319	11,874,383
2. Accrued medical incentive pool and bonus amounts	23,800		23,800	368,405
3. Unpaid claims adjustment expenses	182,238		182,238	232,397
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserve			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance			0	0
9. General expenses due or accrued	2,765,800		2,765,800	3,936,782
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	852,254		852,254	0
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including \$ current)	0	0	0	0
22. Total liabilities (Lines 1 to 21)	13,742,411	0	13,742,411	16,411,967
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX		0
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	358,046	358,046
27. Surplus notes	XXX	XXX	4,200,000	5,600,000
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	11,666,268	10,331,667
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24) \$)	XXX	XXX		0
30.2 shares preferred (value included in Line 25) \$)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	16,224,314	16,289,713
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	29,966,725	32,701,680
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	0	0	0	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	434,476	435,012
2. Net premium income (including \$ non-health premium income).....	XXX	76,234,713	76,843,741
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	(4,564,711)	(4,785,216)
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	71,670,002	72,058,525
Hospital and Medical:			
9. Hospital/medical benefits		37,003,738	36,463,355
10. Other professional services		6,050,480	5,771,165
11. Outside referrals			0
12. Emergency room and out-of-area		4,968,914	5,462,116
13. Prescription drugs		14,718,624	13,435,338
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....			109,216
16. Subtotal (Lines 9 to 15)	0	62,741,756	61,241,190
Less:			
17. Net reinsurance recoveries		80,540	275,701
18. Total hospital and medical (Lines 16 minus 17)	0	62,661,216	60,965,489
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$ 531,813 cost containment expenses.....		2,878,097	695,107
21. General administrative expenses.....		5,420,653	6,682,555
22. Increase in reserves for life and accident and health contracts including \$ increase in reserves for life only).....			0
23. Total underwriting deductions (Lines 18 through 22)	0	70,959,966	68,343,151
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	710,036	3,715,374
25. Net investment income earned		685,759	247,861
26. Net realized capital gains (losses) less capital gains tax of \$			27,309
27. Net investment gains (losses) (Lines 25 plus 26)	0	685,759	275,170
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	0	47,538
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	1,395,795	4,038,082
31. Federal and foreign income taxes incurred	XXX		0
32. Net income (loss) (Lines 30 minus 31)	XXX	1,395,795	4,038,082
DETAILS OF WRITE-INS			
0601. Quality Assurance Assessment.....	XXX	(4,564,711)	(4,785,216)
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	(4,564,711)	(4,785,216)
0701.	XXX		0
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401. Other Ancillary.....			0
1402. Grant Expense.....			0
1403. Risk Settlement.....			0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901. Transition agreement.....			47,538
2902. Third party liability.....			0
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	0	47,538

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
CAPITAL AND SURPLUS ACCOUNT:			
33. Capital and surplus prior reporting year.....	16,289,713	10,725,387	10,725,387
34. Net income or (loss) from Line 32.....	1,395,795	4,038,082	6,884,721
35. Change in valuation basis of aggregate policy and claim reserves		0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$	3,291	(13,084)	(24,827)
37. Change in net unrealized foreign exchange capital gain or (loss)		0	0
38. Change in net deferred income tax		0	0
39. Change in nonadmitted assets	(64,485)	123,544	104,432
40. Change in unauthorized reinsurance	0	0	0
41. Change in treasury stock		0	0
42. Change in surplus notes	(1,400,000)	(1,050,000)	(1,400,000)
43. Cumulative effect of changes in accounting principles		0	0
44. Capital Changes:			
44.1 Paid in		0	0
44.2 Transferred from surplus (Stock Dividend)		0	0
44.3 Transferred to surplus		0	0
45. Surplus adjustments:			
45.1 Paid in		0	0
45.2 Transferred to capital (Stock Dividend)	0	0	0
45.3 Transferred from capital		0	0
46. Dividends to stockholders		0	0
47. Aggregate write-ins for gains or (losses) in surplus	0	0	0
48. Net change in capital & surplus (Lines 34 to 47)	(65,399)	3,098,542	5,564,326
49. Capital and surplus end of reporting period (Line 33 plus 48)	16,224,314	13,823,929	16,289,713
DETAILS OF WRITE-INS			
4701.			
4702.			
4703.			
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0	0

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	77,044,149	102,717,175
2. Net investment income	566,270	595,069
3. Miscellaneous income	(4,531,254)	(4,862,220)
4. Total (Lines 1 to 3)	73,079,165	98,450,024
5. Benefits and loss related payments	67,717,201	82,219,640
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		0
7. Commissions, expenses paid and aggregate write-ins for deductions	8,770,519	9,321,448
8. Dividends paid to policyholders		0
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	76,487,720	91,541,088
11. Net cash from operations (Line 4 minus Line 10)	(3,408,555)	6,908,936
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	0	0
12.2 Stocks	0	38,584
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	0	38,584
13. Cost of investments acquired (long-term only):		
13.1 Bonds	4,539,429	0
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	4,539,429	0
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(4,539,429)	38,584
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(1,400,000)	(1,400,000)
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied).....	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(1,400,000)	(1,400,000)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Lines 15 and 17)	(9,347,984)	5,547,520
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	31,021,464	25,473,944
19.2 End of period (Line 18 plus Line 19.1)	21,673,480	31,021,464

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Community Choice Michigan

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
		2	3										
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year	46,995	.0	.0	.0	.0	.0	.0	.0	46,995	.0	.0	.0	.0
2 First Quarter	48,297	.0	.0	.0	.0	.0	.0	.0	48,297	.0	.0	.0	.0
3 Second Quarter	48,174	.0	.0	.0	.0	.0	.0	.0	48,174	.0	.0	.0	.0
4. Third Quarter	47,787								47,787				
5. Current Year	0												
6 Current Year Member Months	434,476								434,476				
Total Member Ambulatory Encounters for Period:													
7. Physician	217,833								217,833				
8. Non-Physician	168,846								168,846				
9. Total	386,679	0	0	0	0	0	0	0	386,679	0	0	0	0
10. Hospital Patient Days Incurred	13,640								13,640				
11. Number of Inpatient Admissions	3,040								3,040				
12. Health Premiums Written	76,466,435								76,466,435				
13. Life Premiums Direct.....	.0												
14. Property/Casualty Premiums Written .....	.0												
15. Health Premiums Earned	76,234,713								76,234,713				
16. Property/Casualty Premiums Earned .....	.0												
17. Amount Paid for Provision of Health Care Services	67,536,708								67,536,708				
18. Amount Incurred for Provision of Health Care Services	62,741,756								62,741,756				

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec. 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital & medical)					0	0
2. Medicare Supplement					0	0
3. Dental Only					0	0
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan					0	0
6. Title XVIII - Medicare					0	0
7. Title XIX - Medicaid	8,930,753	62,160,743	226,477	9,691,842	9,157,230	11,874,383
8. Other Health					0	0
9. Health Subtotal (Lines 1 to 8).....	8,930,753	62,160,743	226,477	9,691,842	9,157,230	11,874,383
10. Healthcare receivables (a)	605,818	3,113,082	1,278,368	2,080,487	1,884,186	603,539
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts	344,605		23,800		368,405	368,405
13. Totals	8,669,540	59,047,661	(1,028,091)	7,611,355	7,641,449	11,639,249

(a) Excludes \$ 0 loans and advances to providers not yet expensed.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices – The quarterly statement has been completed in accordance with the NAIC *Accounting Practices and Procedures* manual except to the extent that State law differs. No material change has occurred since the Annual 2005 filing, except to report certain items on different line items as reflected in Note 2 below.

B. Use of Estimates in the Preparation of the Financial Statements – The preparation of financial statements in conformity with accounting practices prescribed or permitted by the Office of Financial and Insurance Services of the State of Michigan requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Due to the prospective nature of these estimates, actual results could differ. Medical revenues and expenses require significant estimates, which include incurred but not reported claims.

C. Accounting Policy – The Company receives monthly capitation and delivery case rate payments under its contract with the Michigan Department of Community Health. The Company is required to provide covered health care services to all recipients enrolled, regardless of the cost of care provided. Capitation and delivery case rate revenue is recognized in the month that recipients are entitled to health care benefits. Reinsurance premiums are netted against premium revenue, and reinsurance recoveries are reported as a reduction of related health care costs.

2. Accounting Changes and Correction of Errors -The following items are now classified in the financial statements on the line items reflected below. For comparative purposes, the account balances for these same items at December 31, 2005 are shown.

Item	Statement Name	September 30, 2006		December 31, 2005	
		Line	Amount	Line	Amount
Capitation Receivable	Assets Pg 2	13.1	132,000	22	220,709
Provider claims withhold	Liabilities, Capital and Surplus Pg 3	1	140,482	3	243,832
Management Fee liability	Liabilities, Capital and Surplus Pg 3	15	852,254	9	1,219,812
Third Party Liability Recoveries	Statement of Revenue and Expenses Pg 4	9	(224,874)	14	(213,998)

3. Business Combinations and Goodwill – None

4. Discontinued Operations - None

5. Investments

- a. Mortgage Loans - None
- b. Debt Restructuring - None
- c. Reverse Mortgage - None
- d. Loan-Backed Securities - None
- e. Repurchase Agreements - None
- f. Real Estate - None

6. Joint Ventures, Partnerships and Limited Liability Companies – The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies.

7. Investment Income – Interest income earned through September 30, 2006 is accrued in the accompanying financial statements.

8. Derivative Instruments – None

9. Income Taxes – Not applicable; tax exempt 501(c)3 organization.

10. Information Concerning Parent, Subsidiaries and Affiliates – The Company has an administrative service agreement with CareSource Management Group to perform substantially all administrative services of the Company. The Company paid management fees to CareSource Management Group based on plan revenues and other criteria. Management fees to CareSource Management Group under the administrative service agreements were \$7,515,370 for the nine months ended September 30, 2006.

11. Debt - None

NOTES TO FINANCIAL STATEMENTS

12. Retirement Plans, Deferred Compensation, Post Employment Benefits and Other Post Retirement Benefit Plans
- a. Defined Benefit Plan - None
 - b. Defined Contribution Plan - None
 - c. Multi-employer Plans - None
 - d. Consolidated/Holding Company Plans - None
13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations – Surplus note principal payments of \$700,000 and interest of \$ 62,985 were paid in the third quarter of 2006. The payment was made with the pre-approval of the Commissioner.
14. Contingencies
- a. Contingent Commitments - None
 - b. Assessments - None
 - c. Gain Contingencies - None
 - d. All other Contingencies - None
15. Leases – The monthly rental for the principal office location of the Company is the financial responsibility of the management company per the administrative services agreement.
16. Information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk – No such instruments.
17. Sale, transfer and servicing of financial assets and extinguishments of liabilities
- a. Transfers of receivables reported as sales - None
 - b. Transfer and servicing of financial assets - None
 - c. Wash sales - None
18. Gain or Loss to the reporting entity for uninsured A&H plans and the uninsured portion of partially insured plans
- a. ASO plans – N/A
 - b. ASC plans – N/A
 - c. Medicare or similarly structured cost based reimbursed contracts – N/A
19. Direct premium written/produced by managing general agents/third party administrator – Not applicable.
20. September 11 Events - Not impacted
21. Other Items
- a. Extraordinary items - None
 - b. Troubled debt restructuring: Debtors - None
 - c. Other Disclosures - None
22. Events subsequent – No significant events after September 30, 2006.
23. Reinsurance
- a. Unsecured Reinsurance Recoverables - None
 - b. Reinsurance Recoverable in Dispute - None
 - c. Reinsurance Assumed and Ceded - \$ 0 and \$231,723 respectively
 - d. Uncollectible Reinsurance - None
 - e. Commutation of Ceded Reinsurance - None
 - f. Retroactive Reinsurance - None
24. Retrospectively rated contracts & contracts subject to redetermination – None.

NOTES TO FINANCIAL STATEMENTS

25. Change in Incurred Claims and Claims Adjustment Expenses - There has been no change in the methodology of computing incurred claims and claims adjustment expenses in the current year. Original estimates of incurred but not reported claims at December 31, 2005 were more than adequate to cover claims payments made in 2006 attributable to insured events of the prior year.

26. Intercompany Pooling Arrangements - Not applicable

27. Structured Settlements - Not applicable

28. Health Care Receivables - Community Choice Michigan recorded \$ 468,015 of pharmaceutical rebates receivable at September 30, 2006, net of non-admitted amounts of \$170,412. During 2006, Community Choice Michigan collected \$397,710 for rebates related to 2005. Pharmacy rebates are netted with pharmacy expense.

The Company's administration of rebates is through a pharmacy benefits manager. Reports are generated by the PBM and these are used to estimate receivables. Estimated receivables are confirmed with actual cash receipt of rebates and the accompanying report detailing the amounts by manufacturer. These reports are received on a quarterly basis, generally six months after the quarter in which the receivable is recorded.

Column 1 Quarter	Column 2 Estimated Pharmacy Rebates As Reported on Financial Statements	Column 3 Pharmacy Rebates as billed or Otherwise Confirmed	Column 4 Actual Rebates Received within 90 days of Billing	Column 5 Actual Rebates Received Within 91 to 180 days of Billing	Column 6 Actual Rebates Received More than 180 days of Billing
9/30/2006	210,377	210,377			
6/30/2006	255,314	257,638	-		
3/31/2006	185,839	195,374			195,374
12/31/2005	187,181	197,096	-		197,096
9/30/2005	194,774	199,688	-		199,688
6/30/2005	183,859	199,208	-		199,208
3/31/2005	202,870	193,690	-		193,690
12/31/2004	205,563	192,687	-		192,687
9/30/2004	207,827	192,870	-		192,870
6/30/2004	216,644	207,379	-		207,379
3/31/2004	206,474	184,302	-		184,302
12/31/2003	192,669	194,571	-		194,571
9/30/2003	111,963	113,575	-		113,575

29. Participating Policies - Not applicable

30. Premium Deficiency Reserves - Not deemed necessary

31. Anticipated Salvage and Subrogation - Subrogation recoveries totaled \$ 47,570 for the period ended September 30, 2006.

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted.)

PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1

Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes ☐ No ☒
- 1.2

If yes, has the report been filed with the domiciliary state?

Yes ☐ No ☐

- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☒ No ☐
- 2.2

If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

08/01/2006

3.

Have there been any substantial changes in the organizational chart since the prior quarter end?
If yes, complete the Schedule Y - Part 1 - organizational chart.

Yes ☐ No ☒

- 4.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 4.2

If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5.

If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?
If yes, attach an explanation.

Yes ☐ No ☒ NA ☐

- 6.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2005
- 6.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/1998
- 6.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

10/22/1999
- 6.4

By what department or departments?
State of Michigan, Office of Financial and Insurance Services.....

- 7.1

Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?.....

Yes ☐ No ☒
- 7.2

If yes, give full information:
.....

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?.....

Yes ☐ No ☒
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
.....

- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?.....

Yes ☐ No ☒
- 8.4

If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

GENERAL INTERROGATORIES

FINANCIAL

- 9.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes ☐ No ☒
- 9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:.....\$

INVESTMENT

- 10.1 Has there been any change in the reporting entity's own preferred or common stock? Yes ☐ No ☒
- 10.2 If yes, explain:
.....

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes ☐ No ☒
- 11.2 If yes, give full and complete information relating thereto:
.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA:\$
13. Amount of real estate and mortgages held in short-term investments:\$
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes ☐ No ☒
- 14.2 If yes, please complete the following:

		1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Statement Value
14.21 Bonds .....	\$	.....	\$ .....
14.22 Preferred Stock .....	\$	.....	\$ .....
14.23 Common Stock .....	\$	.....	\$ .....
14.24 Short-Term Investments .....	\$	.....	\$ .....
14.25 Mortgage Loans on Real Estate .....	\$	.....	\$ .....
14.26 All Other .....	\$	.....	\$ .....
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$	.....0	\$0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....	\$	.....	\$ .....

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes ☐ No ☒
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes ☐ No ☐
- If no, attach a description with this statement.

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes ☒ No ☐

- 16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Fifth Third Bank.....	2501 Coolidge Road, Suite 102, East Lansing, Michigan 48823.....

- 16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
Citibank Private Bank.....	120 Broadway, New York, New York 10271.....	small balance..account to be closed.....

- 16.3 Have there been any changes, including name changes in the custodian(s) identified in 16.1 during the current quarter? Yes ☒ No ☐
- 16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....	Fifth Third Bank.....	06/13/2006.....	new investment account.....

- 16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
59395.....	Fifth Third Asset Management.....	38 Fountain Sq. Plaza, Cincinnati OH 45263.....

GENERAL INTERROGATORIES

17.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes ☒ No ☐

17.2 If no, list exceptions:
.....

SCHEDULE A - VERIFICATION

Real Estate

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Increase (decrease) by adjustment		0
3. Cost of acquired		0
4. Cost of additions to and permanent improvements		0
5. Total profit (loss) on sales		0
6. Increase (decrease) by foreign exchange adjustment		0
7. Amount received on sales		0
8. Book/adjusted carrying value at end of current period	0	0
9. Total valuation allowance		0
10. Subtotal (Lines 8 plus 9)	0	0
11. Total nonadmitted amounts		0
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	0	0

SCHEDULE B – VERIFICATION

Mortgage Loans

	1	2
	Year to Date	Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year	0	0
2. Amount loaned during period:		
2.1. Actual cost at time of acquisitions		0
2.2. Additional investment made after acquisitions		0
3. Accrual of discount and mortgage interest points and commitment fees		0
4. Increase (decrease) by adjustment		0
5. Total profit (loss) on sale		0
6. Amounts paid on account or in full during the period		0
7. Amortization of premium		0
8. Increase (decrease) by foreign exchange adjustment		0
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	0	0
10. Total valuation allowance		0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts		0
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)	0	0

SCHEDULE BA – VERIFICATION

Other Invested Assets

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year	0	0
2. Cost of acquisitions during period:		
2.1. Actual cost at time of acquisitions		0
2.2. Additional investment made after acquisitions		0
3. Accrual of discount		0
4. Increase (decrease) by adjustment		0
5. Total profit (loss) on sale		0
6. Amounts paid on account or in full during the period		0
7. Amortization of premium		0
8. Increase (decrease) by foreign exchange adjustment		0
9. Book/adjusted carrying value of long-term invested assets at end of current period	0	0
10. Total valuation allowance		0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts		0
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	0	0

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	40,782	76,883
2. Cost of bonds and stocks acquired	4,529,775	0
3. Accrual of discount	0	0
4. Increase (decrease) by adjustment	3,291	(24,887)
5. Increase (decrease) by foreign exchange adjustment		0
6. Total profit (loss) on disposal		27,309
7. Consideration for bonds and stocks disposed of		38,523
8. Amortization of premium	(6,362)	0
9. Book/adjusted carrying value, current period	4,580,210	40,782
10. Total valuation allowance	0	0
11. Subtotal (Lines 9 plus 10)	4,580,210	40,782
12. Total nonadmitted amounts		0
13. Statement value	4,580,210	40,782

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Community Choice Michigan

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	1,981,038	2,548,737		6,362	.0	1,981,038	4,536,137	.0
2. Class 2 .....	.0				.0	.0	.0	.0
3. Class 3 .....	.0				.0	.0	.0	.0
4. Class 4 .....	.0				.0	.0	.0	.0
5. Class 5 .....	.0				.0	.0	.0	.0
6. Class 6	0				0	0	0	0
7. Total Bonds	1,981,038	2,548,737	0	6,362	0	1,981,038	4,536,137	0
PREFERRED STOCK								
8. Class 1 .....	.0				.0	.0	.0	.0
9. Class 2 .....	.0				.0	.0	.0	.0
10. Class 3 .....	.0				.0	.0	.0	.0
11. Class 4 .....	.0				.0	.0	.0	.0
12. Class 5 .....	.0				.0	.0	.0	.0
13. Class 6	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	1,981,038	2,548,737	0	6,362	0	1,981,038	4,536,137	0

SCHEDULE DA - PART 1

Short-Term Investments Owned End of Current Quarter					
	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999 Totals	5,507,604	XXX	5,206,120	63,783	39,819

SCHEDULE DA - PART 2- VERIFICATION

Short-Term Investments Owned		
	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	0
2. Cost of short-term investments acquired	8,461,471	0
3. Increase (decrease) by adjustment	6,815	0
4. Increase (decrease) by foreign exchange adjustment		0
5. Total profit (loss) on disposal of short-term investments	2,572	0
6. Consideration received on disposal of short-term investments	2,981,627	0
7. Book/adjusted carrying value, current period	5,489,231	0
8. Total valuation allowance	18,373	0
9. Subtotal (Lines 7 plus 8)	5,507,604	0
10. Total nonadmitted amounts		0
11. Statement value (Lines 9 minus 10)	5,507,604	0
12. Income collected during period	63,783	0
13. Income earned during period	132,367	0

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Community Choice Michigan

SCHEDULE S—CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

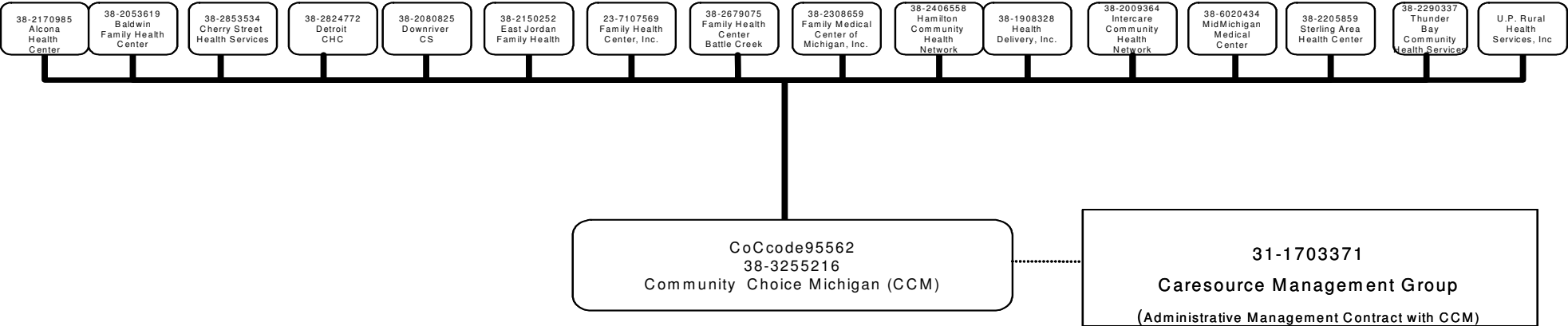
[illegible]

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories									
States, Etc.	1	2	Direct Business Only Year-to-Date						
	Guaranty Fund (Yes or No)	Is Insurer Licensed? (Yes or No)	3	4	5	6	7	8	
			Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life and Annuity Premiums and Deposit-Type Contract Funds	Property/ Casualty Premiums	
1. Alabama	AL								
2. Alaska	AK								
3. Arizona	AZ								
4. Arkansas	AR								
5. California	CA								
6. Colorado	CO								
7. Connecticut	CT								
8. Delaware	DE								
9. District of Columbia	DC								
10. Florida	FL								
11. Georgia	GA								
12. Hawaii	HI								
13. Idaho	ID								
14. Illinois	IL								
15. Indiana	IN								
16. Iowa	IA								
17. Kansas	KS								
18. Kentucky	KY								
19. Louisiana	LA								
20. Maine	ME								
21. Maryland	MD								
22. Massachusetts	MA								
23. Michigan	MI	No	Yes		76,466,435				
24. Minnesota	MN								
25. Mississippi	MS								
26. Missouri	MO								
27. Montana	MT								
28. Nebraska	NE								
29. Nevada	NV								
30. New Hampshire	NH								
31. New Jersey	NJ								
32. New Mexico	NM								
33. New York	NY								
34. North Carolina	NC								
35. North Dakota	ND								
36. Ohio	OH								
37. Oklahoma	OK								
38. Oregon	OR								
39. Pennsylvania	PA								
40. Rhode Island	RI								
41. South Carolina	SC								
42. South Dakota	SD								
43. Tennessee	TN								
44. Texas	TX								
45. Utah	UT								
46. Vermont	VT								
47. Virginia	VA								
48. Washington	WA								
49. West Virginia	WV								
50. Wisconsin	WI								
51. Wyoming	WY								
52. American Samoa	AS								
53. Guam	GU								
54. Puerto Rico	PR								
55. U.S. Virgin Islands	VI								
56. Northern Mariana Islands	MP								
57. Canada	CN								
58. Aggregate Other Alien	OT	XXX	XXX	0	0	0	0	0	0
59. Subtotal		XXX	XXX	0	0	76,466,435	0	0	0
60. Reporting entity contributions for Employee Benefit Plans		XXX	XXX						
61. Total (Direct Business)	XXX	(a) 1	0	0	76,466,435	0	0	0	0
DETAILS OF WRITE-INS									
5801.									
5802.									
5803.									
5898. Summary of remaining write-ins for Line 58 from overflow page			0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)			0	0	0	0	0	0	0

(a) Insert the number of yes responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Community Choice Michigan

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

[illegible]

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

E04

Schedule D - Part 4

NONE

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

SCHEDULE E - PART 1 - CASH

E08

SCHEDULE E - PART 2 CASH EQUIVALENTS

[illegible]